THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) The Government of USA have announced sanctions under Section 102(b) of their Nuclear Non-Proliferation Act. Indications are that Official Development Assistance to India, except the food assistance, has been suspended. The sanctions also imply termination of those operations of US EXIM Bank and OPIC intended for the purpose of providing credit and thus encouraging US exports to India. Japan and some of the Nordic countries have taken decisions to suspend, wholly or partially, fresh aid to India. In addition, the US will oppose the extension of any loan, financial or technical assistance, by any international financial institutions, such as the World Bank and the IMF. Allthough the US can not veto the funding to India from these financial institutions unilaterally, consideration of certain new loans by the Board of World Bank has been delayed. The US Government will also prohibit any of its own commercial banks from making any loan or credits to the Government of India, except for purchasing food or agricultural commodities. Under the sanctions announced by the US Government, sale of defence articles have also been terminated and interim guidelines have been issued suspending all existing licenses authorizing export to Indian entities involved in proliferation activities. Sanctions mainly apply to official development assistance and not specifically to the Foreign Direct Investment. It may be noted that precise scope and procedures of sanctions are yet to be clarified.

In conformity with existing policies, Government of India have taken measures to encourage foreign investment by the NRIs/OCBs and the FIIs. The Union Budget of 1998-99, has also proposed measures to strengthen the foundations of the Indian economy to deal effectively with an inherently uncertain external environment.

Financial Assistance for Maharashtra for Meeting Expenditure on Fifth Pay Commission's Recommendations

1410. PROF. RAM KAPSE: Will the Minister of FINANCE be pleased to state:

(a) the present status of the proposal of Government of Maharashtra regarding grant of financial assistance for meeting the expenditure to be incurred by State Government for implementing Fifth Pay Commission's Recommendations; and

(b) by when a final decision is expected to be taken?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) The Government of Maharashtra as well as other State Governments have been informed that as it is not mandatory for the States to follow the Central pay scales and also in view of the observations of the Tenth Finance Commission (TFC), that the burden of any pay revisions subsequent to the submission of the report has not been taken into consideration by the TFC either for the Centre or for the States, the Central Government is not in a position to bear the financial burden of any pay revisions by the State Governments for their imployees.

News-item Regarding Recovery of NPAs

1411. SHRI DIPANKAR MUKHERJEE: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the news-item captioned "Banks found lagging on Non-Performing Assets (NPAs) recovery front" appeared in Indian Express dated 26.10.97;

(b) if so, the action taken by Government on recovery of Non-Performing Assets (NPAs) from the defaulters named in the news-item; and

(c) whether Government are aware that even though the names of the defaulters have been circulated among the banks and head of FIs, projects

floated by the same promoters are getting further funds from Institutions and banks, if so, the action taken so far to discourage the same?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Yes, Sir.

(b) Banks and financial institutions take action for recovery of dues against Non-performing Assets by various measures including enforcing securities and filling suits.

(c) RBI collects and disseminate information of defaulting borrowers and suit filed accounts among the public sector banks and financial institutions to put them on guard against such defaulters while taking credit decisions. The information circulated by RBI constitute on input in the process of decision making by the banks on the basis of their commercial judgement.

Compassionate Appointments in Indian Overseas Bank

1412. SHRI N. THALAVAI SUNDARAM: Will the Minister of FINANCE be pleased to state:

(a) how many applications are pending for appointment on compassionate grounds and how many appointments were made on compasionate grounds in the Indian Overseas Bank during the last two years 1996 and 1997; and

(b) whether it is a fact that the guidelines laid by the Hon'ble Supreme Court of India for such cases are followed?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Indian Overseas Bank has reported that the number of appointments made on compassionate grounds during 1996 nad 1997 was 58 and 59 respectively. In addition, 41 applications are pending for want of relevant particulars from the applicants.

(b) Yes, Sir.

Appreciation in Indian Rupee

1413. SHRI RAJUBHAI A. PARMAR:
SHRIMATI VEENA VERMA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that as compared to March, 1993, the Indian rupee has appreciated in real and effective terms, by around 14%;

(b) if so, the precise basis for this conclusion; and

(c) what further steps are proposed to be taken to give further boost to strengthen the Indian rupee?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) According to the total trade based effective exchange rate indices compiled by the RBI, the Indian rupee shows an appreciation, in real effective exchange rate terms, of 14.4 per cent in January 1998 (latest available) over its value in March 1993.

(b) The total trade based effective exchange rate indices of rupee compiled by the RBI represent the exchange rate of the rupee against the weighted average of currencies of 36 foreign countries, both developed and developing. The weighting procedure is based on India's bilateral total trade (exports plus imports) during 1975 to 1991 with these 36 countries. The nominal effective exchange rate indices (NEER) adjusted for inflation differentials between India and these foreign countries provide the real effective exchange rate indices (REER) of rupee. The appreciation of rupee in REER terms over March 1993 level basically reflects the fact that the rates of inflation in India tended to be higher than the average inflation rates abroad during this period.